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Message Text

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TO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: ALCAN GAS PIPELINE AGREEMENT

1. NOTES AMENDING AGREEMENT TO TAKE INTO ACCOUNT CANADIAN NEB DECISION TO USE 54-INCH PIPE WERE EXCHANGED AFTERNOON OF JUNE 7, AS DISCUSSED BY TELECON WITH POSZ. FOLLOWING ARE TEXTS OF LETTERS TO BE EXCHANGED SHORTLY, AS AGREED WITH CANADIANS.

2. TEXT OF LETTER FROM FERC COMMISSIONER SMITH TO NORTHERN PIPELINE COMMISSIONER SHARP. QUOTE DEAR MR. SHARP: IN CONNECTION WITH THE ON-GOING DISCUSSIONS BETWEEN US AND CANADIAN OFFICIALS CONCERNING MEASURES TO IMPLEMENT THE AGREEMENT ON PRINCIPLES APPLICABLE TO A NORTHERN NATURAL GAS PIPELINE, I WISH TO NOTE THE FOLLOWING MATTERS.

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THESE DISCUSSIONS HAVE RECOGNIZED THE NECESSITY FOR EF-
FECTIVE NATIONAL MONITORING PROCEDURES TO INSURE THAT THE PIPELINE IS CONSTRUCTED IN CONFORMITY TO APPLICABLE ENVIRONMENTAL AND OTHER REQUIREMENTS. BOTH SIDES HAVE NOTED THAT THE COSTS OF SUCH MONITORING MEASURES MAY BE CHARGED AGAINST BUILDERS OF THE PIPELINE IN ACCORDANCE WITH THE LAWS AND REGULATORY PRACTICES OF THE TWO COUN-

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TRIES. IN THIS CONNECTION, I WOULD APPRECIATE LEARNING

OF THE INTENTIONS OF THE CANADIAN REGULATORY AUTHORITIES CONCERNING THE APPORTIONMENT OF SUCH MONITORING COSTS, INCLUDING THOSE NOT DIRECTLY ATTRIBUTABLE TO A SPECIFIC ZONE OF THE PIPELINE, TO THE SEVERAL ZONES OF THE PIPE-LINE IN CANADA.

FURTHER, I WOULD LIKE TO NOTE THE IMPORTANCE WHICH THE US GOVERNMENT ATTACHES TO THE MONITORING OF PIPELINE CON-STRUCTION IN BOTH COUNTRIES. AS WE HAVE INDICATED IN RECENT DISCUSSIONS, WE ARE CONCERNED THAT MONITORING BE BOTH EFFECTIVE AND EFFICIENT IN TERMS OF COSTS. I AM SURE THAT THE CANADIAN GOVERNMENT SHARES THIS VIEW AND WOULD PROPOSE THAT FULL ADVANTAGE BE TAKEN OF THE AGREE-MENT ON PRINCIPLES TO CONSULT AND EXCHANGE INFORMATION ON MATTERS SUCH AS STANDARDS, TECHNIQUES AND COST FACTORS INVOLVED IN PIPELINE MONITORING ACTIVITIES IN BOTH COUNTRIES. THE US WILL BE PREPARED AS NECESSARY TO SEEK CONSULTATIONS UNDER PARAGRAPH 11 OF THE AGREEMENT WITH A VIEW TO DETERMINING WHETHER PARTICULAR CHARGES FOR MON-ITORING SHOULD BE INCLUDED IN THE COST OF SERVICE. SINCERELY, DON S. SMITH UNQUOTE

3. TEXT OF LETTER FROM COMMISSIONER SHARP TO COMMISSIONER SMITH. QUOTE DEAR MR. SMITH: THANK YOU FOR YOUR LETTER LIMITED OFFICIAL USE

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OF ..... IN WHICH YOU RAISED SEVERAL MATTERS RELATING TO IMPLEMENTATION OF THE AGREEMENT ON PRINCIPLES APPLICABLE TO A NORTHERN NATURAL GAS PIPELINE.

IN RESPONSE TO YOUR QUESTION ABOUT ALLOCATION OF MONITOR-ING CHANGES, OUR INTENTION WOULD BE THAT MONITORING CHARGES BE ATTRIBUTED, INSOFAR AS POSSIBLE, TO THE ZONES IN WHICH THEY ARE INCURRED, WITH ANY CHARGES UNATTRIBUT-ABLE BY ZONES PRORATED ON AN EQUITABLE BASIS AMONG ALL THE ZONES OF THE PIPELINE IN CANADA. WE WOULD BE INTER-ESTED TO LEARN WHAT YOUR INTENTIONS ARE WITH RESPECT TO ATTRIBUTION OF ANY MONITORING CHARGES TO PORTIONS OF THE PIPELINE SYSTEM IN THE UNITED STATES.

ON THESE AND OTHER MATTERS PERTAINING TO PIPELINE MONITOR-ING IN BOTH COUNTRIES, I SHARE YOUR CONCERN AND AGREE THAT EVERY OPPORTUNITY SHOULD BE TAKEN TO CONSULT AND EXCHANGE INFORMATION ON EXPERIENCE IN EITHER COUNTRY WHICH MIGHT INCREASE THE EFFICIENCY AND EFFECTIVENESS OF PIPELINE MONITORING IN THE OTHER. I TRUST WE SHALL HAVE AN OPPORTUNITY TO PURSUE THIS MATTER DURING MY VISIT TO WASHINGTON. YOURS SINCERELY, MITCHELL SHARP, NORTHERN

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PIPELINE COMMISSIONER UNQUOTE. VANCE

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